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Foreign Labor Trends

Austria



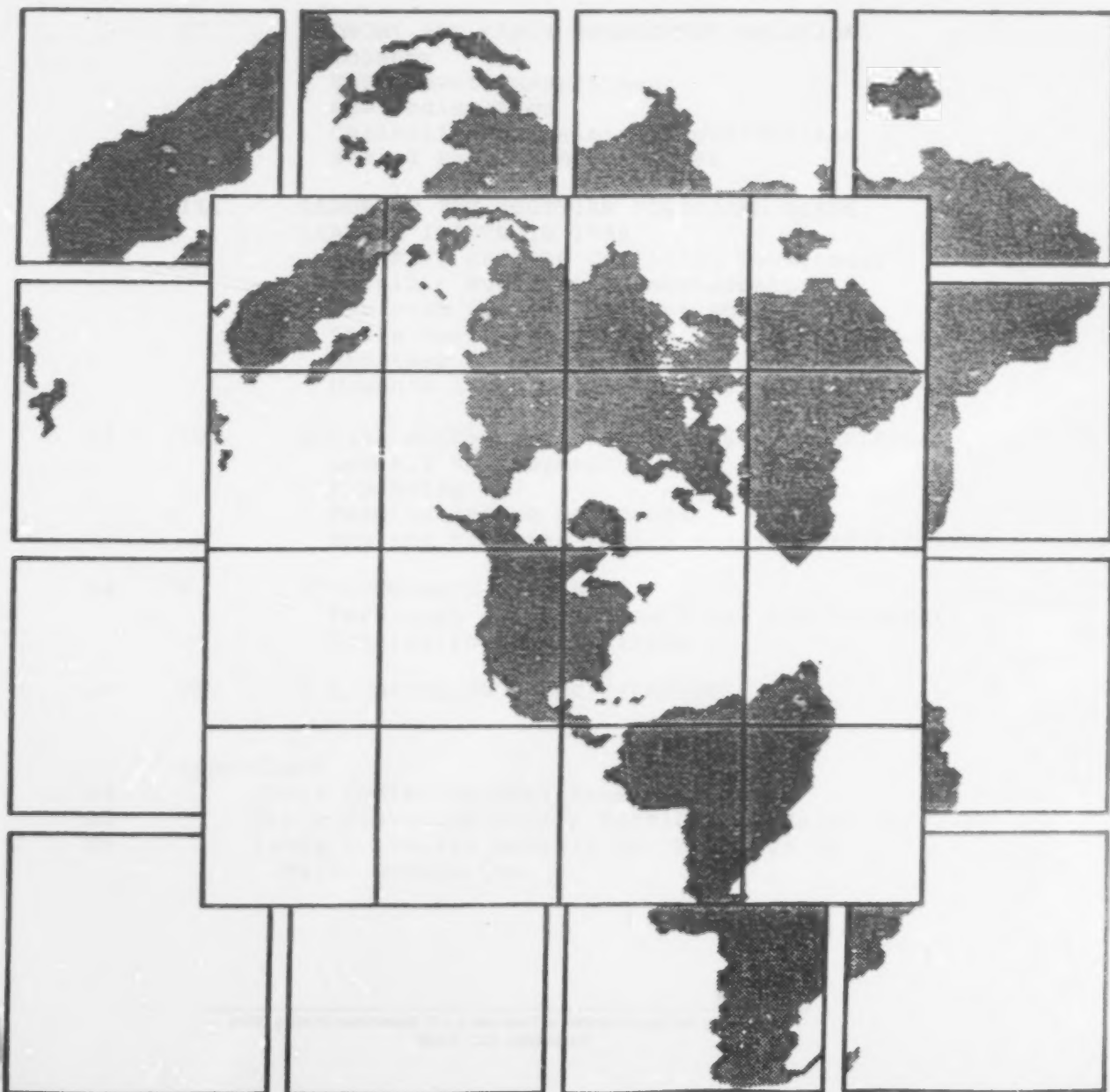
Released by
U.S. Department of Labor
Bureau of International Labor Affairs

1988 - 1989

FLT 89-52
Frequency: Annual

Prepared by
American Embassy
VIENNA

Supersedes: 89-22



copy available

L29.16:

FOREIGN LABOR TRENDS REPORT

AUSTRIA

1988 - 1989

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KEY LABOR INDICATORS

	<u>1987</u>	<u>1988</u>	<u>Pct.</u> <u>Chnge</u>
Per capita GNP, current prices (AS, 000):	196.9	206.3	9.4
(1\$ = AS 13.45, May 1989)			
Population, total (000):	7,573	7,602	.38
---, major minority groups (1981 census):	18,000 Croats		
	15,000 Slovenes		
	4,000 Czechs		
Adult literacy rate (%):	98	99.6	1.6
Life expectancy at birth, total (yrs):	74.4	75.3	1.2
---, Male: (1984)	70.1	72.0	2.7
---, Female: (1984)	77.3	78.6	1.7
Labor force, civilian, total (millions):	3.2	3.44	7.5
Employment, civilian (millions):		3.41	
---, in industry and small trades:		1.29	
---, in agriculture		0.27	
---, in services:		1.85	
Unemployment rate (%):	5.6	5.3	-5.4
Labor productivity, mfr.: (% change)	3.5	5.7	62.9
Work time lost in ind. disputes: (seconds/worker)	83	87	4.9
Average hours worked (per week):	32.5	32.7	2.6
Unionization of labor, as % of work force:	60.8	60.1	1.1
Minimum wage rates, unofficial, blue collar (AS/hr)		65.36	
---, white collar (see table 1)		67.29	
Avg. earnings by industry (see table 2)			
---, by occupation (see table 3)			
Value supp. benefits as % mfr. earnings (e)		93	
Avg. personal income/year, current prices (AS 000)	233.4	247 (e)	5.8
Avg. disposable income/yr after taxes, etc. (AS 000)	172.8	183 (e)	5.9
Households receiving supp. govt. assistance (%)		10	
Change in cons. prices during preceding year (%)	1.4	2	42.9

(e) estimate

I. INTRODUCTION AND SUMMARY

At the beginning of 1988 the Austrian Trade Union Federation (ATUF) found itself hard-pressed on two fronts. A stumbling national economy had pushed unemployment to the highest levels in three decades while an austerity budget had left the government short of resources to deal with the unaccustomed hardship of large-scale layoffs and long-term unemployment. Simultaneously, Austrian labor was in the throes of a major generational change in its leadership and its influence in the councils of a socialist/conservative coalition government was widely regarded as having slipped.

As the year ended, however, the picture had changed considerably. The economy had taken an unexpected and strong turn for the better, and unemployment--though still very high by historical standards--was on its way down. Just as strikingly, in late 1988 and in the first months of 1989, Chancellor Vranitzky's scandal-shaken Socialists (SPO), senior partner in the governing Grand Coalition, turned to its labor wing, particularly the socialist-dominated ATUF, as a solid pillar of political support on which to rebuild the party. Most visibly, Vranitzky picked several labor figures to fill top party and government slots vacated by fallen SPO veterans. In its first full year under 43-year old ATUF President Fritz Verzetnitsch, the clout of the new labor team--though admittedly not quite at the level enjoyed under Anton Benya--was clearly being restored.

One issue on which labor's voice was heard was that of a possible Austrian bid for full European Communities (EC) membership, the question that promises to dominate the country's domestic and foreign policy scene well into the next decade. A Verzetnitsch-commissioned study chaired by Textile Union chief Ettl (later to be named to the cabinet) was presented at a special ATUF Congress last July. The study concluded EC membership was probably in Austria's (and Austrian labor's) interest provided it did not threaten the social gains incorporated over the decades into the country's comprehensive welfare system, the environment, or "permanent neutrality". Without this (carefully-formulated) green light from labor, it would not have been politically possible, under Austria's consensual system of "social partnership", to proceed to the forwarding of an application letter to Brussels, (now expected within the next month or two).

In light of the dismal economic outlook, in 1987 labor settled for very modest wage gains for 1988--a typical demonstration of the labor restraint implied by social partnership. With the economy now confidently booming, the

ATUF has let it be known that its demands in this fall's wage rounds will be high. The expectation is that--again, in the spirit of social partnership--management will be forthcoming. A tougher fight, however, looms over Verzetnitsch's challenge to reach a nation-wide agreement by 1990 to introduce the 35-hour work week--though here, too, there appears to be room for a mutually-satisfactory compromise at the end of the day.

All in all, Austrian social partnership continued alive and healthy, having proved its mettle under some of the toughest economic conditions seen here in the post-war period. Still, some critics lay a goodly share of the blame for the government's ongoing failure to address key problems in a fundamental manner to it. They point particularly to labor's role in delaying basic reform of the financially-troubled pension system, braking a more thorough-going privatization in the state-owned sector and undermining budget austerity with calls for expanded welfare services. But there was no serious consideration being given to replacing the system nor any prospect that it would be basically modified anytime soon.

On the international labor scene, the beginning of the Verzetnitsch era in the ATUF brought a new outlook, more westward-looking and, accordingly, less burdened by old socialist ideological baggage. Shortly after his election, Verzetnitsch took the initiative to reopen a dialogue with the AFL-CIO. To this end, he invited an AFL-CIO representative to Vienna last spring and, in the course of the year, met with President Lane Kirkland on the margins of various international gatherings. Prospects were excellent that this rapprochement would culminate in a visit to Washington by Verzetnitsch in the not-too-distant future.

Equally emblematic of the new accent in ATUF foreign policy was its public condemnation of the Warsaw government's use of force against Solidarnosc strikers last summer. And, perhaps most striking was an initiative by the minority Christian faction (FCG) within the ATUF to convene a "Conference for Labor Union Cooperation in Europe" as a forum to give concrete support to emerging free trade unions in the East. Though the conference was organized by the FCG and attended by top conservatives, including Foreign Minister Mock, the socialist side was also well represented by big guns like Verzetnitsch and President of Parliament Poeder.

II. ECONOMY AND LABOR-MANAGEMENT RELATIONS

Economy

Gross domestic product (GDP) growth: 1988 was an unexpected boom year for the Austrian economy. Driven by a

surge in exports and strong domestic spending, the national economy successfully overcame two bleak years in 1986 and 1987 (1.2 and 1.5 percent growth) and increased by 4.2 percent, the highest figure seen here since 1979. GDP growth was stronger than in West Germany (+ 3.4 percent) and clearly above the Organization for Economic Cooperation and Development (OECD) average of 3.5 percent for 1988. (Economic forecasters expect a similarly favorable result for 1989, estimating the Austrian economy will grow by 3.5 percent or more). Thus, for the first time since 1983, Austria overtook the average rate of economic development for the OECD countries as a whole. Moreover, in something of a contrast to former years, all demand components were affected by the positive momentum: exports, investment and private consumption.

Given the fact that 3 out of the 5 key anchors of economic policy-making (economic growth, unemployment, and budget deficit) moved in a promising direction, the year's economic developments are seen as broadly and soundly based. Only two economic indicators (inflation and current account) deteriorated slightly.

The buoyancy of the economy made it easier for the government to pursue its stated goals for 1988, i.e. continued budget austerity, re-privatization and restructuring in the nationalized sector, while maintaining most elements of Austria's social welfare system.

Budget policy: In 1988 and in the first months of 1989 the Austrian Government continued its efforts to trim the national budget deficit. Partly as a result of increased tax revenues flowing from the economic upswing, partly because of the proceeds generated by sales of nationalized firms, the annual net deficit was down to AS 66.5 billion or 4.2 percent of GDP. (1987: AS 69.8 or 4.7 percent of GDP).

Private consumption: Private consumption was one of the main engines of the economic upturn, and continued into the first months of 1989 as well. The average annual increase in private consumption was 3.4 percent, which was higher than the increase in real income (2.2 percent). For several reasons (higher wage increases slated for 1989, lower taxes on earnings because of 1988's tax reform, and a favorable employment outlook), this trend is expected to continue in 1989.

Labor market: The year's strong economic growth brought some relief to the labor market. For the first time since 1980 unemployment dropped (from 5.6 percent in 1987 to 5.3 percent in 1988). According to current estimates, it could go down further to 5 percent or even lower in 1989. However, while the

number of people finding new jobs rose sharply, the number of unemployed decreased only slowly. On the average, 1988 saw 0.9 percent more dependently employed than the year before (+0.2 percent in 1987). For the first time since the 1970s, building construction registered an increase (+1.8 percent), and, for the first time since 1984, industrial workers put in more work hours (annual average) than in the previous year (+0.8 percent). (In 1987 industrial work time had decreased by 1.5 percent due to a shorter work week in several sectors).

Labor productivity: Labor productivity developed even more favorably than the economy as a whole, growing by 4 percent in terms of GDF per employed person; in the industrial sector it grew by as much as 8.3 percent (production per employed person). To a large extent, this reflects the restructuring process in Austria's nationalized steel industry, which coincided with a particularly strong worldwide demand for steel in 1988.

Inflation: Inflation increased slightly in 1988 to 2.0 percent as compared to 1.4 percent in 1987. Given a marginally higher dollar, imports became slightly more expensive in 1988.

Terms of trade: Compared to last year, the terms of trade improved, though significantly less than in previous years (1988: +0.5 percent; 1987: +2.5 percent; 1986: +5.6 percent).

Labor unit costs: Because of modest wage increases and strong productivity increases, unit labor costs decreased by 0.8 percent. (In 1987 they grew by 2.5 percent). In industry, labor unit costs went down 4.3 percent as compared to +1.4 percent in 1987). With regard to work unit costs, Austria's position improved considerably vis-a-vis West Germany.

Wage increases: In 1988 average wage increases (per employed person) of +2.5 percent gross (+2.2 percent net) were slightly higher than inflation (+2.0 percent), and clearly below the figures for 1987 (+3.5 percent). Given the continuing economic upswing, wage increases for 1989 are expected to reach 3.5 percent and higher.

Exports/imports: Exports increased by 9.5 percent in 1988. While, in previous years, the focus had been primarily on Western Europe (the EC countries), exports were more widely distributed in 1988. Imports grew in response to increased domestic demand. Austria imported 7.9 percent more in 1988 than in the year before. Lower imports of raw materials and energy were offset by double-digit increases for semi-finished and finished goods.

Trade deficit: The trade deficit increased to AS -70.6 billion in 1989; the deficit in the current account increased from AS -2.7 billion in 1987 to -6.4 billion in 1988.

Employment/Unemployment

Though unemployment was (and is) still high in historical Austrian terms, the year 1988 saw significant positive development in national unemployment figures: for the first time in 8 years unemployment dropped, from 5.6 percent in 1987 to 5.3 percent. The average unemployed spent 16.6 weeks out of work (1987: 17.1 weeks). Because of continuing high-rate economic growth in 1989, this downward trend is expected to go on throughout the current year, lowering the unemployment rate to around 5 percent by the end of 1989.

If calculated according to usual international criteria (unemployed as a percentage of the total number employed), the situation would look even more rosy: unemployment for 1988 would have come in at 4.7 percent, and would thus have been lower than that of all other Western European OECD countries except Switzerland (0.7 percent), Norway (3 percent), Sweden (1.8 percent), and Finland (4.5 percent).

Because of the shortage of workers with needed skills, the drop in the number of people seeking jobs did not match the increase in the demand for labor. In absolute figures, 2,810,500 people were dependently employed in 1988, 25,100 more than in the previous year. A total of 158,600 were out of work, 5,800 fewer than in 1987.

By sector, unemployment was highest for white collar workers, in seasonal sectors such as the construction business and the tourist industry, and in the metal sector.

One of the reasons the good economic situation did not have an even more favorable impact on the unemployment/-employment picture was the fact that work productivity increased sharply, too. Productivity rose by 3.1 percent over 1987 (which had seen an increase of only 1.3 percent compared to the previous year).

Structural changes did not produce any major shifts in male and female employment in 1988. Female employment increased twice as much (+0.9 percent or +10,000) as that of men (+0.3 percent or +5,300). As a result, in 1988 women's share in the labor market continued to rise.

The same was true, however, of female unemployment. Since 1984, the number of unemployed women has risen more

strongly than that of unemployed men. In 1988 the number of unemployed men dropped by 5.5 percent, that of women by only 0.9 percent. Thus, the difference between the unemployment rate for men and women increased further (men: 5.1 percent; women: 5.6 percent).

Young people's (between 15-24 years) employment prospects continued to recover in 1988. Youth unemployment (as a share of total unemployment) dropped from 28.6 percent to 26.6 percent last year, but still remained above this age bracket's share of total employment (23.7 percent). Demographic factors and continued government-subsidized employment programs helped to alleviate the situation of young job seekers. A special symposium in June 1988 organized by the Austrian chapter of the "Club of Rome" was devoted to youth unemployment.

On the negative side, the problem of high long-term unemployment (people out of work for more than 6 months) persisted in 1988. Whereas in 1981 only 16.1 percent of the unemployed fell into this category, the figure had reached 32 percent by last year. Again, women were affected to a greater extent than men by this phenomenon.

In 1988 the "Labor market administration" within the Ministry of Social Affairs spent AS 26 billion on employment programs. This was 1.6 percent of GDP, a relatively low rate compared with other Western European countries (cf. West Germany: 2.23 percent; France: 3.54 percent; and Sweden: 2.88 percent). Only 15 percent (or 0.3 percent of GDP) of these funds is spent on "active", job-creating measures, such as retraining, continuous education, subsidy of businesses, etc.); the rest is earmarked for "passive" measures (payment of unemployment benefits, special support payments, and emergency payments).

The number of foreign workers or "Gastarbeiter" increased again in 1988. (Between 1982 and 1985 the number had gone down). In January 1989 the Social Affairs Ministry counted 148,913 registered "Gastarbeiter", 4.7 percent more than the year before. This is 5.4 percent of the total working population. Three fourths of these workers are employed in the tourist industry, cleaning services, and in construction.

While there has been repeated discussion about granting "Gastarbeiter" the right to vote in municipal elections, no progress toward this end was achieved during 1988. In a parallel debate, the ATUF is considering granting

"Gastarbeiter" the right to be elected as shop stewards; at present foreign workers have the right to vote in union elections, but cannot run for union office.

New legislation

By mid-1989, an amendment to the unemployment insurance law will bring various material improvements for unemployed persons:

- Young people will be entitled to draw unemployment benefits after 26 weeks of employment (instead of the current 52 weeks).
- Older workers will be entitled to draw benefits for 39 weeks (if they have been employed for at least 10 years), and for 52 weeks (if they have been employed for 15 years or more); (at present, unemployment payments are normally for a maximum of 30 weeks).
- foreign unemployed workers will be eligible to receive emergency payments (i.e. a reduced unemployment benefit which is paid out once entitlement to regular unemployment benefits is exhausted).
- when unemployment benefits do not bring the recipient and his family to the unofficial poverty line (currently pegged at AS 5,134 per person per month), the payments are to be raised to this level.
- Those unemployed who reject the offer of an "acceptable" job on three occasions will face suspension of their unemployment benefits for 6 weeks (instead of the current 4 weeks).

Unemployment insurance premiums to be cut: Since the unemployment rate, which had been expected to reach 6-6.5 percent in 1988 fell instead, employers called for a rollback in the increase that had been introduced to cover the anticipated outlays. Faced with bleak forecasts in 1988, the premiums--paid equally by employers and employees--had been raised by 0.8 percent to 5.2 percent of gross monthly income. As matters turned out, the resulting windfall added reserves of over AS 3 billion. In the upshot, political agreement was reached between the social partner negotiators to reduce the contribution to former levels (4.4.) percent over a 1-year period starting July 1989.

Collective Bargaining/Wages/Strikes

Collective bargaining agreements: Last year, wages--most of which had been negotiated in 1987 when the economic outlook was extremely negative--rose by an average of 2.2. percent, i.e. significantly more slowly than in the 1985-87 period. (By

comparison, the average 1985 wage hike was 5.5. percent, declining to 3.5 percent by 1987). In 1988 blue-collar incomes increased by 2.8 percent, salaried workers by 2.4 percent, and civil service by only 1.2 percent. These low figures represent the ATUF's traditional moderation when faced with low economic growth and high unemployment. With the economy now clearly enjoying a strong upswing, ATUF President Verzetnitsch has put management on public notice that this fall's wage rounds will see demands for hefty pay increases.

Strikes: In 1988 there were five strikes, one fewer than in 1987. However, the number of workers on strike, as well as time lost through strikes, increased slightly. The Austrian totals are still insignificant: According to strike statistics published by the ATUF, average strike time per worker was a mere 87 seconds in 1988 (1987: 83 seconds).

A total of 24,252 workers participated in work stoppages in 1988 (1987: 7,203); total strike time was 68,335 hours (1987: 38,575). In 1988, 0.86 percent of all workers participated in a strike (1987: 0.25 percent).

The Civil Service Union held a 1-day nationwide strike to get better pay for its 23,000 elementary school teachers. It also staged a warning strike to achieve better pay for its 309 university professors. Additionally, there were brief strikes by the Salaried Workers Union and by the Metalworkers Union.

In addition to actual strike time, there were several strike threats which were disarmed by last-minute settlements reached by the labor-management leadership. Overall, the social partners registered another successful year, effectively taking the steam out of many confrontations between labor and management.

Social Partnership in 1988

As always, the prime factor behind Austria's enviable record of labor peace was the nation's system of "social partnership"--the non-official forum for working out a range of labor-management and other socio-economic questions that brings together representatives of labor, management, government, and agriculture. And, as usual, some voices were raised questioning whether the system would--or should--retain its traditional role as the key decision-making mechanism on issues like wages and prices.

The year saw some new faces at the head of the system's component parts, with further changes in prospect. On the labor side, this was new ATUF President Verzetnitsch's first full year in the saddle. In the fall, Adolf Czettl, veteran president of the "Arbeiterkammer" (Chamber of Labor)--the other organizational pillar of the Austrian workingman--died suddenly and was replaced by the 42-year old Heinz Vogler. On the management side, longtime "Bundесwirtschaftskammer" (Federal Economic Chamber) President Rudolf Sallinger announced his retirement and designated 54-year old entrepreneur, Leopold Maderthaner, as his successor. (Maderthaner's appointment is still under discussion).

Among the most important questions addressed by the Social Partners during the year was the issue of a possible Austrian bid for EC membership. In early 1989 the results of a study jointly prepared by the Social Partners was presented to the government in the form of an aide memoire. The study concluded that a "comprehensive and equal Austrian participation in the integration of the EC" would be in Austria's interest provided it did not endanger the country's social welfare, environment, and permanent neutrality. Although carefully caveated, the Social Partners' "yes" to an EC application constituted important support for pro-EC forces. By the same token, it was also a sign of the continuing relevance of the social partners' opinions on key national issues.

Social Partnership also drew some sporadic criticism. The two opposition parties, the liberal/populist Freedom Party (FPO) and the Greens, let it be known that they consider a reform of the system or its outright abolition overdue. Their argument is that such a decision-making mechanism, by nature an essentially behind-the-scenes one, bypasses the constitutional authority of the legislature and has no legal legitimacy.

But support for the system among the two big government parties, the Conservative OVP and the Socialists (SPO), remains solid. In fact, OVP experts even suggested that Social Partnership be given a legal basis with the creation of a third "corporate" legislative chamber, alongside the existing "Nationalrat" (lower chamber) and the "Bundesrat" (upper chamber). Notwithstanding complaints, proposals for change, or the new faces in its councils, no fundamental modification either in its legal status or in the form of an effective challenge to its continuing authority seemed to be in the offing.

III. LABOR ON THE AUSTRIAN POLITICAL SCENE: LEADING ISSUES IN 1988

ATUF and the Coalition Government

In the second half of 1988 and into the first half of the New Year, Austrian labor saw significant recovery in its traditional influence, in terms of its impact both on government policy and on government personnel decisions.

The ATUF continued its basic support for the Socialist (SPO)/Conservative (OVP) coalition government formed in 1987. On the annual drafting of the budget, which was one of the most crucial issues, labor backed the coalition's continued commitment to budget consolidation. Labor's endorsement of the ruling coalition went so far that, in late 1988, when speculation about early elections was in the air, ATUF President Verzetnitsch let it be known that labor had no interest whatsoever in a breakup of the SPO-OVP pact at that time.

Throughout 1988, the ATUF--nominally independent, though actually SPO-affiliated--continued to influence the policy-making process both through its traditional voice in the highest councils of the SPO and in public statements where it laid out its desiderata vis-a-vis the coalition government. At the formation of the grand coalition, which ended 17 years of socialist or socialist-dominated rule, observers had predicted that labor would have to face tangible opposition from the government. (Hitherto, ATUF preferences had been typically incorporated into government policy, at least in those areas of social and economic policy that were recognized by the SPO as falling into labor's competence). Indeed, during 1987 and much of 1988 the talk was of labor's faded influence as the government sacrificed jobs for the sake of industrial restructuring and tightened the belt on social welfare in an effort to cut the budget deficit. Then, as the end of last year approached and as confidence grew in the economic upswing, both the employment and the budget situation began to look less urgent. Even more importantly, Chancellor Vranitzky began to look to the ATUF as an indispensable source of solid support in a party hard hit by scandals and the personnel turmoil growing out of them. The upshot was a visible boost for labor's influence.

For example, in drafting the final version of the tax reform package, which took effect on January 1, 1989, the coalition partners clearly heeded labor's concerns on various important details. Labor also successfully raised its voice against government plans to proceed with rapid privatization of

the nationalized sector. In return for labor's support for the government's austerity course, labor managed to prevent more vigorous cutbacks in various controversial social welfare programs.

The most striking resurgence of ATUF influence, however, came late in 1988 and during the first quarter of 1989 when Chancellor Vranitzky turned to ATUF personalities to fill top slots in the party and government--slots vacated as some of Austria's leading socialists were brought down by scandal. The ATUF regained the first presidency of Parliament when Rudolf Poeder, head of the Municipal Workers' Union, replaced Leopold Gratz. Harald Ettl, head of the Textile Workers Union (and recent IV grantee), became Minister of Health and Minister in the Federal Chancellery. Peter Marizzi from the Metalworkers Union took over one of the two SPO Central Secretary positions. When Alfred Dallinger was killed in an air crash, Vranitzky accepted the ATUF's nomination of Walter Geppert to replace him as Social Affairs Minister. Other ATUF personalities, including Hilde Seiler and Fritz Svihalek, moved into parliament. All in all, the impressive influx of labor figures into government and party positions was a guarantee that labor's ideas and policies would continue to be heard at government level.

Possible Austrian EC Membership

The year 1988 and the first months of 1989 saw Austrian labor deeply involved in public discussion about Austrian EC membership, the country's number one domestic and foreign policy issue. At a specially-convened congress in July 1988, the ATUF presented the results of an extensive in-house study on this question: a carefully worded yes to "full participation" in the integrated market. This view was reiterated in a special ATUF memorandum to the government in December 1988 (and similarly, in a study presented along with the social partners, in early spring 1989).

From the very beginning of the debate, the ATUF had approached this issue with extreme circumspection and some skepticism. In voicing its reservations, labor intentionally distanced itself from what it characterized as the euphoric approach pursued by the Austrian People's Party (ÖVP) and its then leader, Foreign Minister Alois Mock. Having examined the likely effects of an EC membership on each individual union affiliate and on various aspects of the country's economic and social structure, the ATUF leadership drew attention to the possible pitfalls both for the country's neutral status and for its "social achievements".

Still, the ATUF said it saw "no realistic alternative to the continued economic integration of Europe". (According to ATUF president Verzetnitsch, European economic integration should ideally stretch from the Urals to the Atlantic.) The economic advantages of EC membership would also likely serve to further raise social standards in Austria. Against the danger that "social dumping" in the context of EC membership would work to the disadvantage of Austrian labor, ATUF experts argued that social legislation would tend to remain within the purview of individual EC member countries.

While the ATUF was giving a cautious green light to an EC bid, at the same time it was seeking to signal its desire that thought be given to including the European Free Trade Association (EFTA) and communist East Europe in any emerging conception of European integration. In the former connection, the Austrian labor movement hosted an international conference of EFTA labor leaders in Vienna early in 1989. The forum agreed that EFTA should be strengthened in order to be a more effective interlocutor in a Europe-wide integration effort.

With an Austrian application for EC membership expected to go forward by mid-1989, the ATUF has been trying to prepare itself institutionally. One proposal by ATUF President Verzetnitsch is for the founding of a European academy to train future labor lobbyists in Brussels. The ATUF has scheduled a first international meeting on that issue for spring 1989 in Vienna.

The Push for the 35-hour Workweek

A further reduction of weekly work time (currently between 38 and 40 hours) to 35 hours remained at the top of ATUF's agenda in 1988. Since putting forth this demand in a resolution at its 1987 congress, the Austrian labor movement has been pushing for a nationwide "collective bargaining agreement" with management on introduction of the 35-hour workweek with full wage compensation by the end of 1990. (By January 1, 1989, 1.08 million of Austria's 2.8 million employees already enjoyed contracts calling for a workweek of fewer than 40 hours, the legal weekly standard.) According to the ATUF, each branch of industry would negotiate the actual timing of the new standard's introduction.

Business has consistently rejected the 35-hour week, arguing that a further cut in weekly working hours would endanger the economy's recovery and seriously undermine the international competitiveness of Austrian companies. With Austria preparing itself for a rougher economic climate within the EC, it is claimed such a move would be particularly

disadvantageous and unwise. Moreover, a general introduction of the 35-hour workweek would have to include Austria's 600,000-strong civil servants; this alone would cost an additional AS 15-20 billion and would sink current efforts at budget consolidation. If shorter work time is to be implemented at all, management says it could only be without full wage compensation.

The ATUF sees the 35-hour week almost exclusively as an instrument with which to reduce the country's unemployment rate. On the subject of wage compensation, ATUF President Verzetnitsch has hinted broadly that part of the bargain would be modest wage demands in the wake of a shortening of work hours. (In this context, ATUF leaders here also did not sympathize with ideas vented by West German politician Oscar Lafontaine, who had suggested that one could implement shorter weekly working hours if the unions renounced their demand for full wage compensation.) Labor is also presumed to be ready to agree to more flexible work time, a long-time management goal here.

The ATUF's drive for shorter weekly work time has the basic, albeit vague, support of Socialist Chancellor Vranitzky. General support on the part of politicians associated with labor has been lukewarm so far. These politicians seem to be aware of domestic polls suggesting that lower working hours is not a high priority item for the average Austrian worker.

The outcome will depend on the health of the economy over the next few years as well as on what happens in West Germany. Although Verzetnitsch has put his reputation clearly on the line in support of the 35-hour week and management has just as clearly rejected discussion of the question, there appears to be ample room for maneuver and compromise. Behind the sharply drawn lines, flexibility exists on the timing of introduction of the 35-hour standard in specific industries and on the issue of wage compensation in subsequent years.

Store Hour Legislation

Austria's tightly regulated closing hours have been at the center of public controversy between employers and the unions for years. Almost all stores close their doors at 6 p.m. on weekdays and noon on Saturday. Many retailers, especially the larger ones, feel the existing restrictions put a lid on expansion of their industry. Defenders of the system argue it protects the country's myriad small neighborhood shops and is a buttress of family life since the bulk of the salespeople are wives and mothers. In the latter connection,

the ATUF has pointed to the difficulty of protecting salespeople in small firms from the abuses of involuntary overtime.

In 1988 a grudging compromise was reached by the social partners to institute a 15 month-long experiment under which stores are allowed to stay open either once a week until 8 p.m. p.m. or one Saturday afternoon per month until 5 p.m. During the final 3 months of the trial period, the social partners will have to decide on permanent regulations. So far the experiment has brought mixed results with much consumer confusion over which stores are operating under which option. The outlook is for more controversy.

Meanwhile, a bomb is ticking away at the constitutional court where a store owner from Salzburg has asked for a judgment on the constitutionality of existing limits on store hours.

Shortage of Skilled Labor

The shortage of skilled labor on the Austrian labor market continued to grow in 1988. Some businesses even reported that they had to turn down orders because of a lack of qualified labor. In fact, there were almost 3 times as many openings (6,603) for skilled workers registered as there were workers with the requisite training background (2,343) to fill them. Compared to 1987, there were 4.9 percent fewer new skilled workers entering the labor force. (In the Austrian system, a worker/apprentice acquires special skills in the course of a 3-year, partly on-the-job, partly vocational school training period.)

One reason for the shortage is the declining number of young people entering the labor market, in general, as well as regional and branch-to-branch differences. The hotel and tourism sector is particularly hard-hit by the scarcity of qualified labor. (Low wages are evidently also a factor in specific sectors.) Another reason for the overall shortage is the growing reluctance of Austrian youth to enter what are regarded as manual trades.

Given the continuing trend, experts are calling for a major overhaul of the special training system to prepare qualified workers for new, future-oriented, high-tech jobs; for the immediate future, however, labor union experts expect that "Gastarbeiter" will have to fill this void in the labor picture.

Women's Issues

Female unemployment remained higher than male joblessness (5.6 percent in 1988 compared to 5.1 percent male unemployment); earnings continued to fall well below the male level. On average, women earned 30 percent less in 1988 than their male counterparts.

The ATUF and the State Secretariat for Women's Affairs took several initiatives to aid female employment. Emphasis was on attracting young women to those higher paying forms of employment traditionally held by men. Other programs, sponsored by the Ministry of Social Affairs, aimed at increasing the skills of young women entering the labor force.

IV. SOCIAL WELFARE/NEW AND PROPOSED LEGISLATION

General Development

The year 1988 did not bring any fundamental changes to Austria's generous social welfare system, nor are any expected during the next 5 years. For the immediate future, the focus will be on adjusting the system to changes in the economic situation.

Overall, the debate continued over the financing of the social welfare system, particularly the pension scheme. For the first time, social insurance contributions (32.7 percent of total state earnings) surpassed the share of government revenues from taxes (31.9 percent)--a dramatic indicator of the dimensions of the financial resources necessary to support the national insurance schemes and welfare programs. Moreover, individual contributions are expected to rise still further.

In the effort to prevent expected deficits in the national health insurance scheme (which together with unemployment insurance, pension insurance, and accident insurance form the four pillars of the "overall mandatory insurance package"), a lump-sum payment of AS 50/day was introduced July 1, 1988. Despite this new source of revenue, the national health insurance carrier registered a deficit of AS 1.7 billion last year for the first time ever. While this could be covered for the moment by the surplus accumulated in past years, insurance experts predicted that a painful rise in contributions would be needed for 1990.

Funding/Expenditures

In 1988 budget expenditures for social welfare amounted to about AS 152.7 billion as compared to AS 131.3 the year before. Figures for 1989 are expected to be around AS 160 billion.

Nominal expenditures for what is subsumed under "social welfare" are difficult to ascertain, mainly because such expenses are "hidden" in other areas of expenditure. The following breakdown shows major social welfare outlays for 1988:

Subsidies to social insurance carriers	AS 55.384 billion
Job promotion programs, emergency assistance, and maternity leave pay	AS 27,995 billion
Veterans' and handicapped assistance	AS 6,386 billion
Family assistance/children's allowance	AS 41,861 billion
Health and environment	AS 4,434 billion
Housing subsidies	AS 16,655 billion
Total:	AS 152,715 billion

Pension Reform Postponed

Funding of the costly pension insurance system remained a major headache for national budget planners in 1988. The reasons are familiar: demographic changes, i.e. a rising number of people claiming pensions, longer life expectancy, the popularity of early retirement in Austria, and improved/extended--and thus more expensive--services. As a result, a major part of the government's social welfare outlays in 1988 had to go to fill the shortfall in the pension insurance system. As expected, in 1988 federal contributions rose to AS 55.4 billion (1987: 51.5 billion). Estimates for 1989 predict a further rise to AS 60 billion.

Adjustments in the system worked out in the course of bitter political debates the year before clearly failed to curtail the expansion of federal subsidies to the pension insurance system. A more thoroughgoing rationalization of the many disparate pension systems, as well as of their financing, while acknowledged to be necessary, did not appear to be in near-term prospect.

New and Proposed Family Welfare Legislation

One important adjustment in the scope of benefits provided under Austria's social welfare system would come under a proposal to extend maternity leave from the current 1-year to 3 years, including right to reemployment. Legislation was originally expected for January 1, 1989, but the coalition partners could not agree on details. As it looks now, a new law might still go into effect in 1989 to extend maternity leave to 2 years with a reemployment guarantee. A major point of discussion has been whether fathers should be entitled to "paternity leave" as well. Here basic agreement has been

achieved in the course of the past year under which married and unmarried fathers will be entitled to paternity leave in place of or alternately with the mother of a child.

Last year also saw a continuation of the political dispute over additional aid for dependent children (children's allowances, currently AS 1, 250 per child per month and 1,450 for children above the age of 10). In an effort to halt the growing trend toward one- or no-children families, some provinces have already introduced legislation which provides an additional AS 1,000 per month for a third child. On the national scale, Socialist women have rejected the third child premium and have called for increases in payments for all children. Recent developments suggest that the monthly supplement will be raised for all children by AS 100.

In October 1988 Parliament passed a new law on the employment of handicapped persons which took effect on January 1, 1989. The law replaces the so-called Invalids' Employment Law which expired in 1988; it provides additional benefits for the handicapped, and extends the spectrum of those eligible under the law.

V. ATUF/CHAMBER OF LABOR

Personnel and Organizational Developments

In addition to the notable influx of key labor figures into government positions (see Chapter III above), 1988 and the first months of 1989 saw continued personnel turnover within the ranks of the ATUF itself as veteran labor figures in top positions were replaced by representatives of a younger generation.

At ATUF headquarters, Eleonore Hostasch replaced the late (Minister of Social Affairs) Alfred Dallinger as new chairperson of the white collar workers union ("Gewerkschaft der Privatangestellten") and also became one of the federation's six vice presidents.

Irmgard Schmidleitner moved to the head of ATUF's department for "Education, Culture and Leisure Time", and Dr. Michaela Moritz took over the portfolio for "Humanization of the Work Place, Technology and Environment".

In addition to the replacement of Dallinger, the white collar union also appointed two additional central secretaries, Karl Klein and Hans Salmutter.

In early 1989, the chairman of the railwayworkers union, Hans Schmoelz, resigned for health reasons and was replaced by his deputy, Franz Hums.

In the metalworkers union, Rudolf Nuernberger replaced Sepp Wille as new chairman in May 1988. Nuernberger also replaced the late Adolf Czettl as head of the Socialist faction (FSG or Fraktion Sozialistischer Gewerkschafter) within the ATUF.

As already noted, on October 1, 1988, Heinz Vogler of the white collar union was elected head of the Austrian Chamber of Labor ("Arbeiterkammer"). Gerhard Linner, head of the Chemical Workers Union (also a 1988 IV grantee), was appointed Vice President of the Chamber of Labor.

The Federation of Austrian Insurance Carriers (Hauptverband der oesterreichischen Sozialversicherungstraeger)--the self-governing umbrella organization of all 16 national social insurance organizations--elected Rudolf Sametz, previously first vice president of the organization, as new president in March 1989. Dr. Richard Leutner, head of the socio-political department of the ATUF, became first vice president, and Dr. Karl Kehrer, secretary-general of the Federal Economic Chamber (management's counterpart to the Chamber of Labor), was appointed second vice president.

In international labor organizations, the ATUF can boast the appointment of Dr. Heribert Maier to the post of deputy secretary-general of the International Labor Organization (ILO) in spring 1989. Previously Maier had been secretary-general of the salaried workers international, FIET.

ATUF President Fritz Verzetnitsch was elected Vice President of the European Trade Union Confederation (ETUC), replacing retiring ATUF veteran Alfred Stroer, who had held this position since 1973.

Walter Bacher, central secretary of the Arts, Media and Free Professions Union, remained secretary in the ETUC's sub-committee for arts and entertainment.

At the 7th world congress of the International Secretariat of the Union for Arts, Communications and Entertainment (ISETU) and of the international federation of white collar workers (FIET), Bacher was reelected as chairman of ISETU/FIET.

Hans Schmoelz, head of the Austrian Railwayworkers Union, remained head of the International Transport Workers Federation (ITF).

Labor union events: In 1988 two labor unions (the Metalworkers Union and the Union of Textile, Garment and Leather Workers' held their quadrennial congresses on June 13-15, and November 14-15, respectively. As described in chapter III, the ATUF convened an extraordinary congress to define its position on the question of Austrian EC membership.

The Metal-, Mining- and Energyworkers Union Congress was held under the motto "Work, Environment, Solidarity: We'll manage the future". The event was attended by Chancellor Vranitzky (SPO), then Vice Chancellor Mock (OVP), representatives of the Social Partners and of the Austrian Military. Guests from 16 countries, among them representatives from the Soviet Union and the United States, were also present. The congress focused on the ongoing structural adaptation processes within the branch and on the new challenges posed by Austria's bid for EC membership. Rudolf Nuernberger was appointed successor to outgoing chairman Sepp Wille.

The congress of the Textile Workers Union November 14-15, 1988, focused on the rapid rationalization processes affecting this branch and the resulting negative effects on the employment picture. Since the last congress 4 years ago, 6,700 workers had become redundant. Resolutions supported the ATUF's call for the general introduction of the 35-hour workweek and advocated elimination of loopholes in maternity legislation which disadvantage female apprentices in the sector. Harald Ettl (a 1986 IV grantee), who in spring 1989 was appointed Minister of Health and Chancellery Minister, was reelected chairman of the union.

Union Membership: According to ATUF statistics, the federation counted 1,643,586 dues paying members on December 31, 1988, 0.56 percent fewer than the year before. In 1988 the drop in membership was half that of the previous year.

International Labor Activities in 1988 and Early 1989 (Chronology)

As in previous years, the ATUF continued to be active on the international scene. Given the domestic debate about EC membership, the ATUF's international activities put particular emphasis on that issue. Of special interest to the United States was the greater sympathy for Poland's Solidarnosc demonstrated by the new Verzetnitsch leadership in 1988.

Early in January labor union representatives of the "ARGE ALPEN ADRIA", a forum of the Austrian, Italian, Yugoslav,

and Hungarian border regions, met in Tirol to discuss the growing environmental problem of transit road traffic through the area.

The ATUF's secretary for public relations, Hans Fellingner, represented the ATUF at the 4th congress of the Portuguese Union Federation UGT on February 4-7, 1988.

Also in February, an ATUF delegation headed by President Verzetnitsch met with then chairman of the Hungarian SZOT, Sandor Gaspar, to discuss closer road and rail ties between Austria and Hungary, as well as the planned joint Vienna/Budapest World's Fair.

President Verzetnitsch led a delegation to attend the world congress of the ICFTU in Melbourne March 15-17. Verzetnitsch addressed the congress.

Representatives of Europe's railway unions demonstrated in Frankfurt, West Germany, on March 19 to draw attention to the problems of the railways in Europe. Austrian representatives participated.

On April 8, 1988, EC Commissioner Willy de Clerq met with Verzetnitsch to discuss aspects of European integration.

On April 10 union members of the ARGE-ALPEN ADRIA association met for their annual conference in Padua, Italy, to discuss occupational safety-, health- and environment-related issues.

At a meeting of ATUF delegates and representatives of the Italian UIL labor union late in April 1988, both sides advocated closer bilateral cooperation.

President Verzetnitsch addressed the ETUC congress in Stockholm on May 9-13. The congress also discussed the report of the so-called "Kreisky commission". That commission was set up in 1985 at the initiative of the ETUC to study the general problem of European unemployment. Verzetnitsch was elected vice president of the ETUC.

In his capacity as chairman of the board of the Kreisky foundation, former ATUF President Anton Benya handed over human rights awards to several organizations worldwide on July 8, 1988. Among the recipients was the Salvadoran UNTS, a labor front organization of the Marxist insurgents in El Salvador. The Communist daily "Volksstimme" reported (and condemned) strong representations made to the ATUF by the U.S. Embassy over the former's role in the award.

On August 24, 1988, the ATUF publicly condemned the Warsaw government's use of force to break a strike by Polish workers.

On November 20, 1988, President Verzetnitsch received visiting Vasil Bilak, member of the politbureau of the Communist Party of the Czechoslovak Socialist Republic (CSSR), at ATUF headquarters. Both sides reportedly agreed on the necessity of intensifying union contacts between the two countries.

On January 18-19, 1989, the Austrian railwayworkers union hosted an East-West symposium to promote development of a Europe-wide railway system and endorsed "clean environment instead of armaments".

In February, the ATUF invited the presidents of nine trade union confederations from the six EFTA countries to Vienna to discuss EFTA's prospects in light of the EC's planned 1992 integrated market. The participants called for increased Europe-wide cooperation between EFTA and EC.

Also in February of 1989, the OVP-affiliated Christian Faction (FCG) in the ATUF said it had been instrumental in the establishment of an umbrella organization of all Christian-social union movements (NCS) in Namibia. This organization considers itself a counter-movement to the SWAPO-affiliated union. It is organized on the model of the ATUF, the FCG said. The NCS represents whites, colored, and black workers and comprises eight Namibian unions.

In May 1989 the Christian Faction of the ATUF (FCG) convened a conference of independent Christian unions from East and West in Vienna. The event was designed to demonstrate solidarity with newly-formed, independent union movements in the East. Verzetnitsch, Foreign Minister Mock, and other high-level Austrian officials addressed the conference. The event was one in a series of initiatives undertaken by Austrian and other West European conservatives to engage and influence the forces of change in the East.

VI. U.S.-AUSTRIAN LABOR RELATIONS

One of the first signals Verzetnitsch sent about his international agenda was a desire to reopen the long moribund dialogue between the ATUF and the AFL-CIO. In May of last year he and other top ATUF officials invited an AFL-CIO representative to Vienna to discuss the recent history of relations between the two national federations and to explore steps toward their improvement. In the following months

Verzetnitsch and Lane Kirkland had some brief, friendly exchanges at various international conferences. Meanwhile, agreement was reached in principle to invite a Verzetnitsch-led delegation to pay a formal visit to AFL-CIO headquarters. As this report went to print the timing of such a visit had just been nailed down.

NOTE: For further information on the situation affecting Austrian labor see "Foreign Economic Trends and Their Implications for the United States", published annually by the U.S. Department of Commerce, International Trade Administration, and the relevant section of the "Country Reports on Human Rights Practices for 1988" available from the U.S. Government Printing Office.

Table 1

Minimum wage rates

According to a September 1988 survey by the Federal Economic Chamber, "minimum wages", i.e. the minimum income a company has to pay according to collective bargaining agreements, amounted to AS 65.36 gross per hour for blue-collar workers (AS 67.29 for white collar workers) in major manufacturing industries.

Average minimum hourly earnings in major manufacturing groups:
for blue-collar workers, as of end of Sept 1988

(US\$1 = AS 13.48)

	minimum wage AS	above-minimum standard as set in branch-wide agreements
Mining and iron prod.	64.54	97.30
Quarry & ceramic industry	67.18	83.33
Glass industry	65.21	83.90
Chemical industry	69.15	96.98
Pulp & paper industry	61.63	73.15
Wood industry	61.26	76.73
Food and beverage industry	72.25	81.30
Shoe industry	44.09	63.47
Leather goods industry	43.59	56.69
Iron & metal processing	61.91	79.19
Electronic industry	64.48	81.51
Textile industry	50.84	69.07
Construction industry	71.50	87.92

Source: Federal Economic Chamber ("Bundeswirtschaftskammer")

Table 2

Average hourly earnings by major industry

<u>Industry branch</u>	<u>Hourly earnings in AS</u>
Mining	111.94
Iron and steel	111.66
Crude oil and ref.	146.60
Non-metallic mining	93.56
Glass	94.81
Chemicals	97.38
Paper and pulp	117.87
Paper products	83.28
Film	62.70
Wood products	81.85
Food, beverages, tobacco	91.02
Leather	59.89
Leather products and shoes	63.99
Foundries	96.28
Non-ferrous metals	102.01
Machines	98.51
Vehicles	100.20
Metal products	85.95
Electrical engines	90.95
Textiles	72.49
Clothing	55.91
Gas and FD Heating	<u>110.67</u>
Average	91.57
Construction	<u>107.31</u>
Average including construction	92.71

(Source: Federal Economic Chamber Statistics)

Table 3

Average MONTHLY net earnings by major occupation
(September 1987)

NOTE: Hourly breakdown not available; incomes are 1/14th of yearly earnings and do not include family allowances, tax write-off possibilities, etc.

Blue collar workers	AS 8,615
White collar workers	AS 11,415
Civil servants	AS 11,045
Total	AS 10,537

Selected occupations

AS

Laborer	8,170
Clerk-typist	10,115
Mechanic	9,960
Commercial specialist	12,065
Skilled medical workers	13,160
High school teachers, educators	12,800
Academics in law, humanities and social sciences	13,900
Social workers	10,325
Artists, free lance writers	11,890
Sr. employees in industry, admin. and banking	18,300
Telephone operator	10,250
Salesmen	12,190
Waiters	8,000
Army employees	10,820
Postal employees	9,630
Agricultural professions	7,410
Forestry	9,460
Miners	11,720
Metalworking occupations	9,260
Chemical workers	10,820
Bricklayer	10,380
Printing sector	10,600
Electrical sector	9,740

Source: Annual statistics of Chamber of Labor

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